Department of Human Services
Child Support Enforcement Division

Financial-Related Audit
For the Period October 1, 1997, through March 31, 1999

October 1999

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

99-54

SUMMARY

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Public Release Date: October 1, 1999   No. 99-54

Background and Scope

The Department of Human Services manages Minnesota's child support enforcement program. The department maintains the state's centralized child support information system (PRISM) and is responsible for the statewide collection and distribution of child support payments. The child support enforcement program was established in 1975 under Title IV-D of the Social Security Act. The program's purpose is to minimize public assistance payments by locating non-custodial parents, establishing paternity, establishing and enforcing child support, and collecting child support to ensure that children are financially supported by both parents.

Our audit scope was limited to specific child support enforcement activities under direct supervision, or control of the Department of Human Services. We audited the period from October 1, 1997, when the department implemented its new child support information system, through March 31, 1999. During that period, the department collected and distributed more than $624 million of child support payments. Specifically, this audit reviewed:

- controls over centralized child support collection,
- calculation and notification of child support cost of living adjustments,
- distribution of child support payments,
- security over and access to the state's centralized child support computer systems, and
- payment of state funded child support enforcement bonus incentives.

Our audit was limited to state level controls over compliance. We did not review or evaluate any county administrated child support activities.

Conclusions

Our audit found that the Department of Human Services generally designed and implemented controls to ensure that child support payments were adequately safeguarded and promptly deposited. The department accurately calculated and notified individuals of cost of living adjustments to child support obligations. In addition, the department established adequate controls to ensure compliance with applicable legal provisions regulating child support enforcement incentives paid to counties and medical providers.

We found, however, that the department did not always distribute incoming child support payments in accordance with applicable legal provisions. Also, the department did not properly restrict PRISM users with personal child support cases from accessing their own case information. Finally, the department did not adequately secure certain system programming files and limit access to certain batch programs.

In its written response, the Department of Human Services agreed with the audit findings and is taking corrective action to resolve the issues.

STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Dan McElroy, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Michael O'Keefe, Commissioner
Department of Human Services

We have audited select areas related to Minnesota's child support enforcement program, which is managed by the Department of Human Services' Child Support Enforcement Division. Our audit scope included the department's child support collections process, cost of living increases, distribution of child support, and controls over certain information systems used by the department for child support enforcement. We also reviewed the department's internal controls over compliance with legal provisions related to state incentive payments made to counties and health care providers for child support enforcement assistance. Our audit was limited to state level controls over compliance. We did not review or evaluate any county administered child support activities. We emphasize that this has not been a complete audit of the child support enforcement program, nor of the Department of Human Services' Child Support Enforcement Division. We further explain the scope of our audit in Chapter 1.

We conducted our audit in accordance with *Government Auditing Standards,* as issued by the Comptroller General of the United States. Those standards require that we obtain an understanding of management controls relevant to the audit. These standards also require that we design the audit to provide reasonable assurance that the Department of Human Services complied with provisions of laws, regulations, contracts, and grants that are significant to the audit. Management of the Department of Human Services is responsible for establishing and maintaining the internal control structure and for compliance with applicable laws and regulations.

This report is intended for the information of the Legislative Audit Commission and the management of the Department of Human Services. This restriction is not intended to limit the distribution of this report, which was released as a public document on October 1, 1999.

James R. Nobles
Legislative Auditor

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: June 23, 1999

Report Signed On: September 28, 1999

Department of Human Services' Child Support Enforcement Division

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Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Jeanine Leifeld, CPA, CISA	Audit Manager
Mark Mathison, CPA, CISA	Auditor-In-Charge
Fubara Dapper, CPA, CISA	Auditor
Daniel Kingsley	Auditor
Mike Willis	Auditor

Exit Conference

We discussed the findings and recommendations of the audit with the following representatives of the Department of Human Services on September 2, 1999:

Tom Moss	Deputy Commissioner
Mary Orr	Acting Assistant Commissioner, Economic and Community Support
Laura Kadwell	Director, Child Support Enforcement
Wayland Campbell	Assistant Director, Child Support Enforcement
Wes Kooistra	Chief Financial Officer & Budget Analysis Director
Mary Arveson	Child Support Project Manager
Greg Poehling	Child Support Payment Center Manager
David Ehrhardt	Director, Internal Audits

Chapter 1. Introduction

The Department of Human Services manages the Minnesota child support enforcement program through its Child Support Enforcement Division. Currently, the state has over 225,000 child support cases. About 33 percent of those cases receive public assistance and account for about 18 percent of child support collections. Conversely, about 67 percent of the child support cases do not receive public assistance, and account for approximately 82 percent of the total collections.

In Minnesota, child support enforcement is a "state supervised and county administered" program. In this capacity, the Child Support Enforcement Division is responsible for the developing programs and legislative initiatives, complying with numerous state and federal regulations, corresponding with the federal Office of Child Support Enforcement, maintaining the state's centralized child support information system, and collecting and distributing child support payments. In addition, the division is a liaison to the 84 county-operated child support enforcement offices, providing them with oversight, information, support, and bonus payments for the establishment of paternity, child support orders, adjustments to existing orders, and medical support orders.
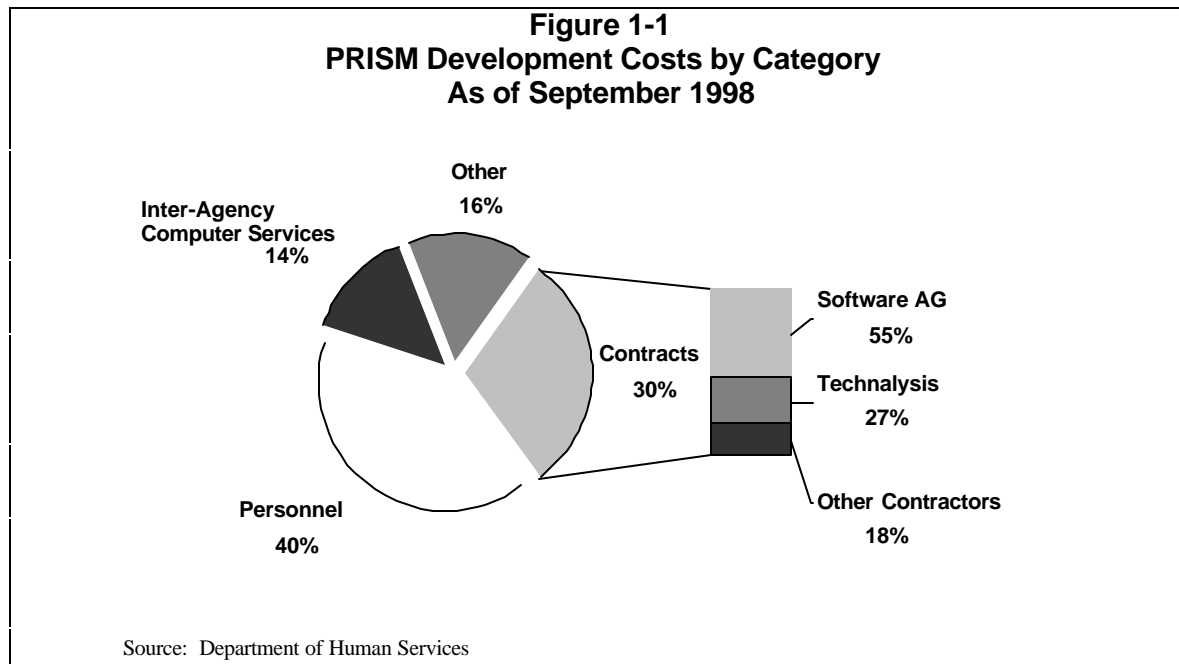
The federal government established the child support enforcement program in 1975 to help reduce dependence on welfare by ensuring that the financial responsibility for supporting children was placed on parents. Title IV-D of the 1975 Social Security Act required all states participating in Aid to Families with Dependent Children to establish statewide child support enforcement programs. Its purpose was to locate non-custodial parents, establish paternity, establish and enforce child support, and collect child support payments to ensure that children are financially supported by both their parents. An initial goal of child support efforts was to recover payments made to recipients of public assistance. In the 1980s, the emphasis shifted to reducing public assistance costs and reducing the need for public assistance, by making child support enforcement services available to all custodial parents, whether they were on public assistance or not. The program received additional modifications under the Personal Responsibility and Work Opportunity Reconciliation (welfare reform) Act of 1996.

In the 1988 Federal Family Support Act, the federal government required each state to develop a statewide automated data system that had the ability to control, account for, and monitor all processes for determining paternity and collecting child support. Additionally, the system was required to electronically interface with systems of other agencies at the federal, state, and local level. In 1993, the Department of Human Services contracted with Technalysis Corporation for the development of the new child support automated system. In mid-1995, both parties agreed to terminate that contractual relationship. The department then contracted with Software AG of North America to complete the system. The system was called Providing Resources to Improve Support in Minnesota (PRISM). The PRISM system became operational on October 1, 1997.

As of September 1998, the department had expended approximately $30 million in the development of the PRISM system. The department paid for the PRISM project with

approximately 16 percent state and 84 percent federal funds. Figure 1-1 shows percentage of system development costs by category.

Figure 1-1
PRISM Development Costs by Category
As of September 1998

Source: Department of Human Services

Audit Scope

This audit focused on certain functions of the Department of Human Services child support enforcement program for the period from October 1, 1997, through March 31, 1999. Our audit scope was limited to specific child support activities under the direct supervision or control of the Department of Human Services. We did not review or evaluate any county administered child support activities. We emphasize that this has not been a comprehensive audit of the Department of Human Services, nor of the child support enforcement program. Rather, we selected certain components of the program for testing. Specifically, this audit reviewed:

- controls over centralized child support collections,

- calculation and notification of child support cost of living adjustments,

- distribution of child support payments,

- security over and access to the state's centralized child support computer systems, and

- payment of state funded child support enforcement bonus incentives to counties and health care providers.

In determining our audit objectives, we considered that the federal Department of Health and Human Services conducted a certification review of the PRISM system in 1998. The certification was designed to provide assurance that the State of Minnesota's PRISM system

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complied with federal requirements for processing child support. The Status of Prior Audit Issues discusses the federal certification report in more detail.

We also considered several questions and complaints we have received about the department's processing and payment of child support. We considered these concerns when designing the methodology and testing plans for this audit.

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Chapter 2. Child Support Collections

Chapter Conclusions

The Department of Human Services designed and implemented controls to provide reasonable assurance that child support collections were adequately safeguarded and promptly deposited. However, the department could enhance security over these receipts by performing criminal background checks on potential employees who will have access to, or control over, child support collections. The department accurately accounted for child support collections within the applicable accounting systems.

The department contracts with a private organization for the collection of child support payments. The contract appears to adequately safeguard the interests of the state. It provides sufficient oversight by the state and limits the state's liability in case of theft.

The child support enforcement program is responsible for collecting child support obligations from non-custodial parents; and for distributing those funds, either to reimburse public assistance, or to compensate custodial parents. Federal and state regulations require public assistance recipients to participate in the child support enforcement program and to assign their rights to child support and maintenance back to the state. For custodial parents on public assistance, the child support collected from non-custodial parents goes to reimburse the state and federal government for assistance paid to the families.

Child support services are also available to families not receiving public assistance. The state charges those families a one-time application fee of $25 to allow them to participate in the program. Child support payments that are collected on behalf of non-public assistance families are sent to the custodial parent.

Prior to October 1, 1997, child support collections and distributions occurred at each of the 84 county social service centers. With the implementation of the PRISM system in October 1997, child support collections still occurred at the county level. However each county recorded the receipts into the PRISM system and deposited those funds into a state depository. The Department of Human Services then distributed the child support payments. State and federal laws require the department to centrally collect and disburse child support payments. On October 1, 1998, the department began its centralized collection and payment center for child support.

From October 1, 1997, through March 31, 1999, the Department of Human Services collected and distributed over $624 million in child support payments. Each day, the department processes about 8,000 collection transactions and makes average deposits exceeding $1 million. Although

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child support is now generally being collected centrally for the entire state, counties still collect a minimal amount of child support payments. The department requires counties to have a process in place to collect payments from non-custodial parents. Beginning November 1, 1998, all child support payments that counties collect go to the state for processing.

Audit Objectives and Methodology

Our objectives in auditing the collection of child support payments were to answer the following questions:

- Did the Department of Human Services design and implement a control system to adequately safeguard incoming child support receipts?

- Did the department deposit incoming child support receipts in a timely manner, in accordance with Minn. Stat. Section 16A.275?

- Did the department accurately account for child support collections within the applicable accounting systems?

- Does the contract with the private organization for the collection of child support payments adequately safeguard the interests of the state?

To answer these questions, we interviewed key staff from the Department of Human Services and from the private child support collections vendor. We reviewed policies and procedures and observed child support payment center operations. We also tested samples of transactions to determine if receipts were properly and promptly deposited and accurately recorded into the various systems. We verified that the department had successfully reconciled the various child support systems.

We reviewed the contract between the department and Services Design Associates (SDA), the private child support collections vendor. We met with management to determine the reasons for outsourcing the collection process. Further, we reviewed a feasibility study done in 1994 which assessed the costs/benefits of establishing a centralized collection center for the State of Minnesota. We reviewed the terms of the department's contract with SDA to determine whether it adequately safeguarded the interests of the state. Finally, we reviewed bonding and insurance policies for both the department and SDA.
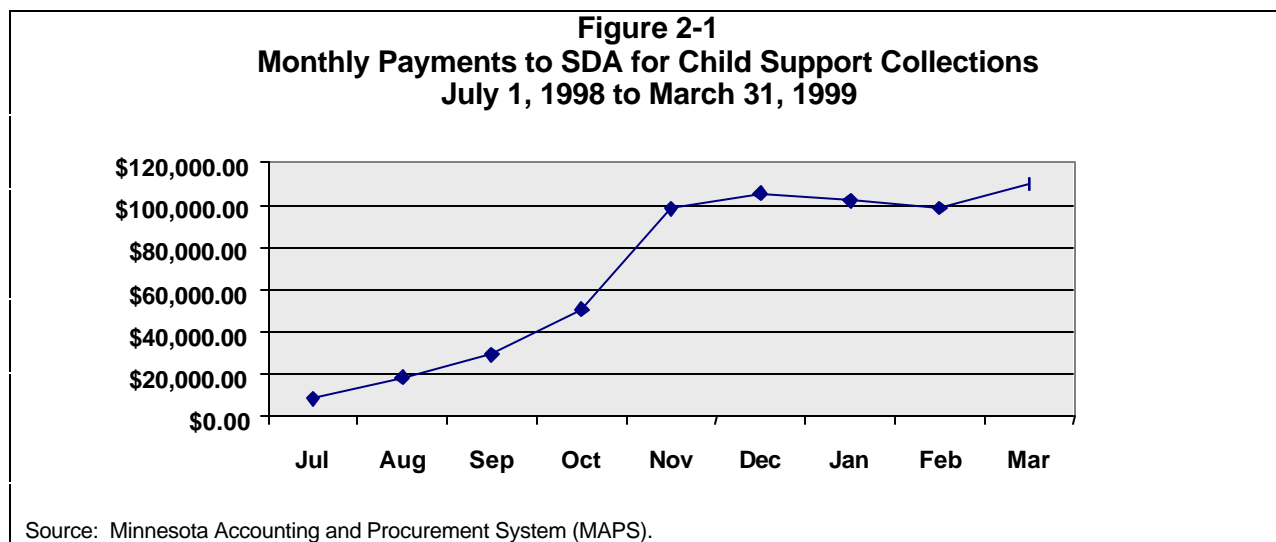
Private Collections Vendor

The Department of Human Services operates its centralized collection center in conjunction with a private vendor that specializes in child support collections. In 1998, the department outsourced its collection process to Services Design Associates (SDA), a Division of Tier Technologies. Pursuant to the contract, SDA employees process incoming child support payments. SDA employees are housed within a Department of Human Services facility, using computers supplied by the department. All processing exceptions, such as unidentifiable checks, are handled by department employees. The contract with SDA provides for a two-year contract

period, with renewal options, and gives the department a termination clause if it is not satisfied with the service.

The department pays SDA about $ 0.49 for each transaction it processes. Figure 2-1 illustrates the monthly amounts paid to SDA since the inception of its contract for processing incoming child support receipts.

Figure 2-1
Monthly Payments to SDA for Child Support Collections
July 1, 1998 to March 31, 1999

Source: Minnesota Accounting and Procurement System (MAPS).

Child Support Collection Systems

Three computer systems are involved in the collection and recording of incoming child support receipts. They are a PC based application called VIPRS, the PRISM child support system, and the state's accounting system, the Minnesota Accounting and Procurement System (MAPS).

The department uses a front-end payment receipting system to initially facilitate the processing of incoming child support payments. The department contracted with SDA, its private collections vendor, to supply this PC based system, called VIPRS, or Very Intelligent Payment Recognition System. SDA staff process incoming payments through the VIPRS system. VIPRS associates the bank routing and account information found on every incoming check with an account database that automatically links the check to one or more child support cases. Department staff handle any incoming checks the VIPRS system does not recognize, or that need special handling. Department staff also handle all incoming receipts remitted by electronic funds transfer. The department has established a long-term lease with SDA for the rights to the VIPRS system.

The PRISM system tracks child support court orders and child support collections received and determines the distribution of child support payments. Generally, child support obligations begin with a court order in the county where the custodial parent lives. When a court order is completed, county workers input the child support data into PRISM. Processed VIPRS transactions are uploaded to the PRISM system daily to apply payments against non-custodial obligations. The PRISM system interfaces with the state's accounting system, the Minnesota Accounting and Procurement Systems (MAPS), to post total receipts daily.

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Conclusions

The Department of Human Services designed and implemented controls to provide reasonable assurance that child support collections were adequately safeguarded. The department also deposited its child support collections in a timely manner, in accordance with Minn. Stat. Section 16A.275. We also concluded that the department accurately accounted for child support collections within VIPRS, PRISM, and MAPS. As described below, we believe that the department could further enhance security over incoming child support receipts by performing criminal background checks on potential employees who will have access to, or control over, child support collections.

In addition, we concluded that the department's contract with SDA for the collection of child support appears to adequately safeguard the interests of the state. It provides sufficient oversight by the state and limits the state's liability in case of theft. The department also requires SDA to provide bonding for its employees.

Despite the existing controls, department staff discovered in March 1999 that an SDA employee had stolen and cashed over $7,200 of incoming child support money orders. As a result of the theft, the department's internal audit office conducted a review of the child support payment center's receipting process. We discuss the related internal audit report in the Status of Prior Audit Issues section of this report. Pursuant to its contract with the department, SDA's insurance company has reimbursed the program for this loss.

1. The Department of Human Services does not conduct criminal background checks of potential child support employees.

The department does not adequately safeguard its assets by performing criminal background checks of potential employees who will have access to child support funds. Federal regulations require that the department provide bonding insurance against theft by its employees, for anyone that has access to or control over child support funds. To meet the federal requirement, the department has employee dishonesty insurance. The department's insurance policy allows the insurance to be cancelled "immediately on discovery . . . of any dishonest act committed by that employee whether before or after becoming employed by you." By not checking the past history of potential employees, the department may be risking its insurance coverage. In addition to possibly being required for insurance purposes, background checks of employees who handle millions of dollars are a good control to safeguard assets.

Recommendations

- *The department should conduct criminal background checks of potential employees having access to child support funds.*

- *The Department of Human Services should seek clarification as to whether periodic background checks are required in order to maintain valid insurance on its employees.*

Chapter 3. Cost of Living Adjustments

Chapter Conclusion

> *The Department of Human Services accurately calculated and notified individuals of child support cost of living adjustments, in accordance with Minn. Stat. Section 518.641.*

Minn. Stat. Section 518.641 allows for biennial adjustments to court ordered child support amounts for changes in the cost of living. Cost of living adjustments are based on increases to the consumer price index published by the federal Department of Labor. The adjustments become effective on May 1 of the second calendar year after the effective date of a court order and every two years thereafter.

The Department of Human Services is responsible for administering cost of living increases to child support obligations. It uses the PRISM system to automatically calculate adjustment amounts. In early March of each year, the system calculates cost of living increases for eligible cases and creates notices of the increase to be sent to the custodial and non-custodial parents. In addition, notices of the increase are sent to the corresponding court-order county. Notices are sent at least 21 days prior to May 1, as required by law. If a non-custodial parent does not request a hearing to contest the increase by May 1, the PRISM system automatically increases the obligations and creates a notice to be sent to the non-custodial parent's employer if the child support is subject to income withholdings.

Audit Objectives and Methodology

Our objective in reviewing child support cost of living adjustments was to answer the following questions:

- Did the department accurately calculate cost of living adjustments in accordance to Minn. Stat. Section 518.641?

- Did the department provide timely notifications of cost of living increases as required by Minn. Stat. Section 518.641?

To answer these questions, we interviewed key staff involved in the child support cost of living process. We tested a sample of cost of living increases to determine whether the PRISM system had properly included non-custodial parents that were eligible for an adjustment, and we recalculated adjustments to ensure accuracy. We also verified that the department issued proper notices, in accordance with the applicable statutes.

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Conclusions

The Department of Human Services accurately calculated cost of living increases for eligible child support obligations. In addition, the department provided prompt notification to custodial and non-custodial parents of the obligation adjustments, in accordance with Minn. Stat. Section 518.641.

Chapter 4. Distribution of Child Support

Chapter Conclusions

> *The Department of Human Services relies on its PRISM system to properly control the distribution of child support payments and to identify public assistance obligations needing repayment. For most routine child support collections, we found that the system properly distributed and disbursed child support payments in accordance with applicable legal provisions. However, in certain situations, the system did not properly distribute child support funds.*
>
> *The system improperly allocated certain child support payments when the non-custodial parent had multiple child support court order cases with past-due obligations. In other cases, the PRISM system erroneously allocated funds to public assistance obligations rather than paying the support to the custodial parents. Finally, the department did not adequately identify and withhold certain child care assistance and foster care obligations.*

The Department of Human Services is responsible for distributing incoming child support payments. The distribution of child support payments can be a very complicated process, as both state and federal law contain distribution requirements. Besides ensuring that custodial parents receive child support, the program is set up to recover payments made to recipients of public assistance. The distribution process depends on many factors including, but not limited to, the following:

- whether a non-custodial parent has one or multiple support obligations;

- the source of a payment;

- whether the custodial parent is/was a recipient of public assistance;

- whether the amount paid was sufficient to cover current obligations; and

- what types of obligations exist, i.e., child support, child care, medical, spousal maintenance, fees, interest, etc.

The PRISM system automatically determines the distribution of incoming child support payments. By automating the process in a centralized system, the department consistently applies the same criteria to all cases and can quickly allocate the child support funds. The PRISM system identifies the type of payments received and applies it to a non-custodial parent. PRISM then determines how many active cases a non-custodial parent has, and whether those cases received public assistance. PRISM reviews each case's obligations and debts to determine

the allocation. If the funds are to be disbursed to a custodial parent, PRISM creates a check to be mailed the following day. For cases that received public assistance, funds are transferred to the appropriate federal or state program at the end of each month.

Audit Objectives and Methodology

Our audit of the child support distribution process focused on answering the following questions:

- Did the department establish controls to ensure compliance with applicable legal provisions when allocating child support payments?

- Did the department identify and ensure that it reimbursed all required public assistance programs?

To answer these questions, we reviewed applicable legal provisions to gain an understanding of child support distribution requirements. We interviewed relevant staff to gain an understanding of how the department ensures that it identifies all public assistance to be reimbursed, and to understand the controls over the allocation process. We sample tested various receipts to verify that the funds were distributed properly and promptly. In addition, we tested whether the department returned reimbursements of public assistance to the proper programs.

We audited the period from October 1, 1997, when the department implemented the PRISM system, through March 31, 1999. We did not audit the distribution of child support by individual counties which occurred prior to October 1, 1997.

Conclusions

For most routine child support collections, we found that the PRISM system properly distributed and disbursed child support payments in accordance with applicable legal provisions. However, in certain situations, identified in the findings below, the system did not properly distribute child support funds. The system improperly allocated certain child support payments when the non-custodial parent had multiple child support court order cases with past-due obligations. In other cases, the PRISM system erroneously allocated funds to public assistance obligations rather than paying the support to the custodial parents. Finally, the department did not adequately identify and withhold certain child care assistance and foster care obligations.

2. **The Department of Human Services did not properly distribute funds for some non-custodial parents with multiple child support cases.**

For non-custodial parents with multiple cases that had the same obligation date, the PRISM system did not properly allocate payments between those cases for past-due obligations. The department collects payments for both current support and support that is past due. Current support is for the month in which the department collects the payment. Support that is past due is a debt for support that was not paid in the month in which it was due. When a payment is received, the department uses it first to pay all current support that is due. If a non-custodial parent making the payment has more than one child support case, the department divides the payment among all cases in proportion to the amounts of the court orders. When all current

support is paid in full, the department's policy is to use any additional money received to pay support that is past due, with the oldest debt being paid first.

The department did not properly allocate payments among the oldest cases because it used a default obligation date when originally loading cases into PRISM. As a result, many debts have the same obligation date in the PRISM system, so past due support was not allocated to the oldest debt in some situations. There were approximately 10,000 non-custodial parents with a total of over 13,000 cases that potentially could have been affected. The department became aware of this issue during the federal certification review in March 1998. However, it has not yet corrected the problem.

Federal regulations do not specifically address how states should allocate incoming child support payments between multiple cases. The regulations do require, however, that if the payment was made through an automatic income withholding, each case must receive some money. Minnesota does not have statutory provisions mandating how child support is allocated between multiple cases. The department's policy is to allocate receipts proportionately to all obligations filed against a non-custodial parent, based upon the current monthly obligations.

Recommendations

- *The Department of Human Services should correct the PRISM system to properly allocate child support payments to multiple cases with past-due obligations.*

- *The department should determine the overall extent of the actual misallocation and work with the federal Office of Child Support Enforcement to determine if any corrective actions are necessary.*

3. The Department of Human Services did not properly distribute funds to some custodial parents who had received public assistance.

In some cases, the PRISM system erroneously allocated funds to public assistance obligations rather than paying the support to custodial parents. Federal regulations require the state to allocate funds first to non-public assistance obligations before distributing to any public assistance obligations, unless the obligations are paid with federal tax intercepted funds. However, for cases that had a monthly payback amount on both a non-public assistance arrearage obligation and a public assistance arrearage obligation, the PRISM system did not appropriately distribute the child support collection. In some instances, the system allocated funds towards the public assistance obligations first. As a result, some custodial parents did not receive funds that they were entitled to receive. The department has identified the programming problem that caused the misallocation and is working on a correction.

Recommendations

- *The Department of Human Services should correct the PRISM system to properly allocate child support payments between public and non-public assistance.*

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- *The department should determine the overall extent of the misallocation and work with the federal Office of Child Support Enforcement to determine if any corrective actions are necessary.*

4. The Department of Human Services did not properly identify and forward assigned child care support to the Department of Children, Families & Learning.

The department did not identify and withhold child care assistance to reimburse the State of Minnesota's Department of Children, Families & Learning (CFL) for Basic Sliding Fee child care expenditures. Under Minnesota law, when the custodial parent is working and paying for child care, the child support order can include an additional amount for child care expenses. This is called "child care support." Beginning July 1, 1997, in cases where the custodial parent gets child care support and is receiving assistance from the Basic Sliding Fee Child Care Program, Minn. Stat. Section 256.741 requires that child care support be assigned to the state and used to reimburse CFL for Basic Sliding Fee Program child care expenditures.

From July 1997 to May 1999, the department did not identify, retain, and forward assigned child care support in accordance with the statutory requirement. Instead, the department disbursed the funds to the custodial parents. About 2,000 child care cases on PRISM receive Basic Sliding Fee child care. Of these, about 430 have child care support orders, and 285 are receiving payments.

Recommendation

- *The Department of Human Services should work with the Department of Children, Families & Learning to determine the financial implications caused by this error, and seek a legal interpretation from the Attorney General as to whether those funds need to be recovered and forwarded to the Department of Children, Families & Learning.*

5. The department did not keep the necessary records to determine when there is excess support on foster care cases.

The department did not keep the necessary records to determine when it collects excess support on foster care cases. When child support is paid for a child who is in foster case, the PRISM system distributes all collections to the county responsible for the foster care payments. If the support collected is greater than the cost of foster care, federal regulations allow the county to use the excess support "in the best interests of the child." However, PRISM does not accumulate the total cost of foster care on the system. As a result, the system cannot identify any amounts collected greater than the county's cost of foster care. The federal certification review in March 1998 indicated that the department was not maintaining a record of these foster care costs.

Recommendation

- *The department should work with the federal Office of Child Support Enforcement to satisfy the certification requirements concerning foster care.*

Chapter 5. Child Support System Security

Chapter Conclusions

The Department of Human Services designed and implemented controls to prevent unauthorized access to child support data. However, the department has not adequately prevented conflicts of interest by employees who may be a party to a child support case. The department did not restrict system users who were a party to a child support case from accessing and modifying their own data.

The Department of Human Services granted security access to the VIPRS and PRISM systems that was reasonable for job responsibilities. However, the department did not adequately secure the VIPRS application and its data from modifications or deletions. In addition, the department did not adequately secure certain VIPRS and PRISM batch processing jobs.

The Department of Human Services is responsible for safeguarding the integrity, accuracy, and completeness of automated systems data used in child support enforcement. Three computer systems are involved in the collection and recording of incoming child support receipts. They are a PC based application called VIPRS; the PRISM child support system; and the state's accounting system, the Minnesota Accounting and Procurement System (MAPS). Controlling access to these systems is crucial in establishing adequate security and privacy over child support data. The department uses a variety of security packages to control access to the systems. These security packages require users to identify themselves with a unique logonID and authenticate themselves with a confidential password.

Audit Objectives and Methodology

We designed our audit of system security to answer the following questions:

- Did the department design and implement adequate controls to prevent and/or detect unauthorized access to the VIPRS and PRISM systems?

- Did the department grant system access that was reasonable for related job functions?

To answer these questions, we interviewed information system professionals and security administrators from the Department of Human Services' Child Support Enforcement Division and the department's private collections vendor, Services Design Associates (SDA). We also analyzed mainframe computer, VIPRS, and PRISM security documentation. Finally, we performed security tests on the department's network security controlling the VIPRS software.

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This audit focused on how the department controlled access to the PRISM and VIPRS applications, screens within the applications, and their critical system files. This audit did not specifically test security over the relational database or controls over changes to the system programming.

PRISM Security

Information system professionals in the Child Support Enforcement Division are responsible for maintaining the PRISM system software. They also establish procedures to prevent the unauthorized use, modification, or disclosure of PRISM data. The PRISM software and its data are stored on the state's central mainframe computer. State and county system users gain access to the mainframe through the state's wide area network. The Department of Administration's Intertechnologies Group manages the state's central mainframe computing center and the wide area network.
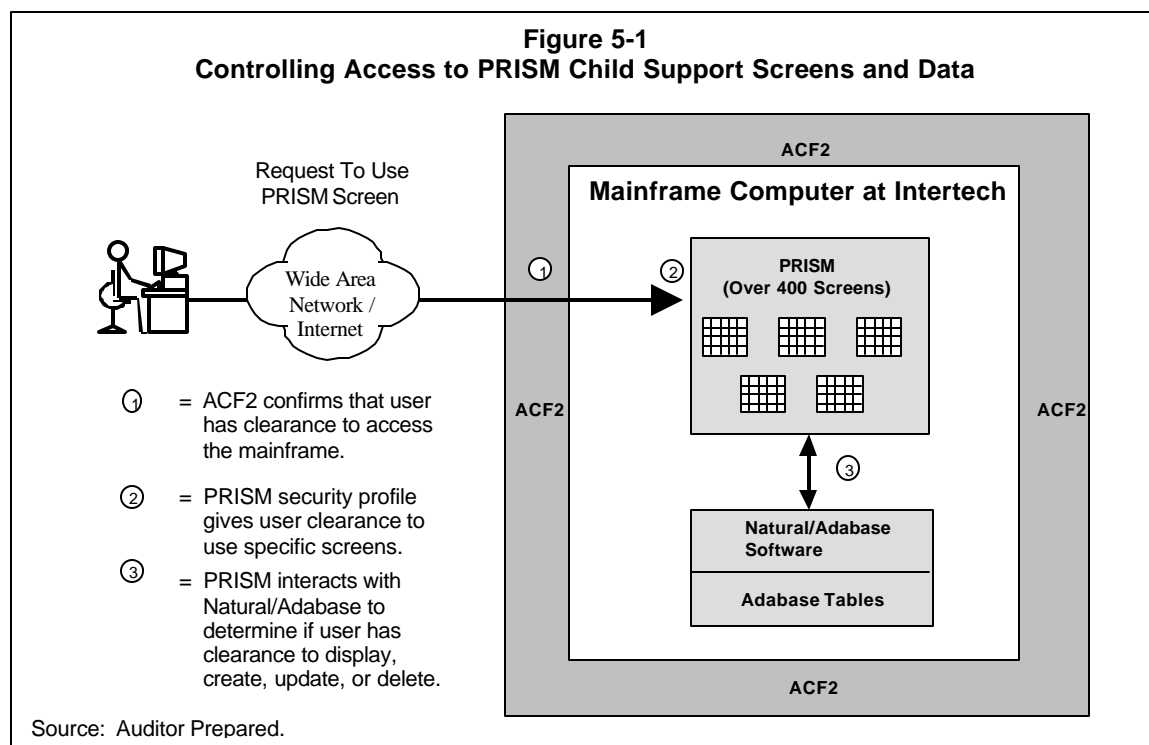
The department uses an array of security software packages to help prevent unauthorized access to sensitive child support data. ACF2 is the security software used to authenticate users who try to access the state's central mainframe computer and it controls access to important files used by the PRISM system. Once authenticated, users also need a special security profile within PRISM. These security profiles limit different types of users to the specific screens that they will need to fulfill their job responsibilities. The department also uses a database security package to prevent users from directly accessing child support data without using the appropriate PRISM screens. Figure 5-1 illustrates how ACF2, PRISM security profiles, and its database security work together to control access to the child support system. Finally, the department uses a combination of ACF2 and a change management system to control modifications to the underlying PRISM programming.

VIPRS Security

The department works together with Services Design Associates (SDA), the state's private collections vendor, to provide maintenance and security of the VIPRS system. The VIPRS system software and its data are stored on a server within the Child Support Enforcement Division's local area network. However, the department stores important VIPRS batch interface files on the state's central mainframe computer.

The department uses its overall network security facility to control access to the VIPRS application. In addition, users need a security profile within VIPRS. These profiles control what functions a user can perform within the application. ACF2 controls the batch interface files stored on the mainframe.

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Figure 5-1
Controlling Access to PRISM Child Support Screens and Data

Request To Use PRISM Screen

Wide Area Network / Internet

ACF2

Mainframe Computer at Intertech

PRISM (Over 400 Screens)

① = ACF2 confirms that user has clearance to access the mainframe.

② = PRISM security profile gives user clearance to use specific screens.

③ = PRISM interacts with Natural/Adabase to determine if user has clearance to display, create, update, or delete.

ACF2

ACF2

③

Natural/Adabase Software

Adabase Tables

ACF2

Source: Auditor Prepared.

Conclusions

The Department of Human Services designed and implemented controls to prevent unauthorized access to child support data. However, the department has not adequately prevented conflicts of interest by employees who may be a party to a child support case. The department did not restrict system users who were a party to a child support case from accessing and modifying their own data.

Generally, the department granted system access that appeared reasonable for related job functions. However, the department did not adequately secure the VIPRS application from modifications or system deletions. In addition, the department did not adequately secure certain child support batch processing jobs on the state's mainframe computer.

6. The Department of Human Services did not provide a means to prevent or detect conflicts of interest relating to child support cases.

The department did not implement controls to prevent state and county users of the PRISM system from accessing or modifying child support cases in which they may have an interest. The department also did not have a means to detect if any users had made modifications to their own cases. As of June 1999, approximately 2,945 state and county employees had access to the PRISM system. Some of those employees might be recipients of child support or may have child support obligations. The department lacked controls to identify those individuals and prevent them from accessing or modifying their own case files. This creates a potential conflict of interest. Users could inappropriately update their own data or have access to child support cases

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containing confidential information not normally disclosed to the parties of the child support cases.

Recommendations

- *The Department of Human Services should identify PRISM system users who are recipients of child support or have child support obligations.*

- *The department should restrict users from accessing or modifying child support cases in which they have an interest.*

7. The Department of Human Services did not adequately secure VIPRS programs and data.

The department did not adequately secure the VIPRS application and its data from unauthorized modifications or deletions. We concluded that the department did provide adequate security if a user accessed data through the VIPRS application. However, the department's network security allowed all users of VIPRS a backdoor method to access the underlying system program and data files. As such, the VIPRS system is vulnerable to intentional and unintentional modifications. The department told us that it established the current system security configuration in order to allow the VIPRS system to operate. However, the current security structure presents the department with unnecessary risks, so alternative security functions should be pursued.

Recommendation

- *The department should pursue and implement network security which prevents unnecessary access to VIPRS program files and stored data.*

8. The Department of Human Services did not adequately secure certain batch production jobs.

The department did not properly secure certain batch jobs related to the VIPRS and PRISM system. Batch jobs are a collection of program files that perform predefined tasks. The department stores these jobs on the state's centralized mainframe in a file structure referred to as datasets. Controlling access to these datasets is crucial to prevent inappropriate use or modification of the jobs. However, the department granted inappropriate access to those datasets and batch jobs. We found that 29 Department of Human Services and Services Design Associates employees had access to batch processing. The department should limit this access to only the few employees who need it to perform their job responsibilities.

Recommendation

- *The department should limit access to batch processing jobs to users who need it to perform their normal job duties.*

Chapter 6. Child Support Incentive Bonuses

Chapter Conclusions

> ***The Department of Human Services designed and implemented internal controls to provide reasonable assurance that child support enforcement incentive payments made to Minnesota counties and health care providers were in compliance with applicable legal provisions.***

The Department of Human Services pays state incentives to its 84 county service centers and to health care providers for establishing paternity and child support orders, as mandated by Minn. Stat. Section 256.979. The department also pays state incentives to counties for enforcement of orders for parents to provide health insurance coverage for dependent children, as directed by Minn. Stat. Section 256.9791. The department paid out approximately $2.9 million in state funds for child support and medical support incentives during the period October 1, 1997, to March 31, 1999.

Pursuant to statute, the department pays the following child support incentives:

- A $100 incentive to counties for each court order that they establish and for modifications made to existing support orders.

- A $100 bonus incentive to counties for each legal action that results in a determination of paternity and for each recognition of paternity that the counties filed with the Minnesota Department of Vital Statistics.

- A $50 incentive for establishing dependent health insurance coverage under a non-custodial parent's insurance policy.

- A $25 bonus incentive to health care providers for each filed recognition of paternity.

County child support personnel enter transactions that qualify for incentives onto the PRISM system. System edits check the validity of the claim in accordance with Minn. Stat. Sections 256.979 and 256.9791 and reject invalid claims. If the claim meets the requirements, the system calculates the appropriate bonus incentive amounts. The department uses the PRISM system reports to determine quarterly disbursement amounts to counties.

The department bases bonus incentives for health care providers on the number of parentage recognition forms that they submit. These incentives are tabulated manually since the health care providers do not have PRISM access. Each quarter, a summary of bonus incentives owed to health care providers is prepared and payments are distributed to the health care providers.

Department of Human Services' Child Support Enforcement Division

Audit Objective and Methodology

Specifically, our review of child support bonus incentives focused on the following question:

- Did the department design and implement internal controls to ensure child support bonus incentives were accurately paid and complied with Minn. Stat. Sections 256.979 and 256.9791?

To answer this question, we interviewed staff to obtain an understanding of the internal controls over the authorization, calculation, and payment of child support and medical incentives. We reviewed applicable policies, procedures, and legal provisions. Further, we tested a sample of transactions to determine if the incentives complied with applicable legal provisions.

The department disbursed various federal and state child support incentives to counties and health care providers during the audit period. However, this audit focused only on incentives paid with state funds.

Conclusions

The Department of Human Services designed and implemented internal controls to provide reasonable assurance that child support and medical incentive payments were accurate and in compliance with Minn. Stat. Sections 256.979 and 256.9791.

Status of Prior Audit Issues
As of June 23, 1999

Related Legislative Audit
March 12, 1999, Legislative Audit Report 99-17 examined the Department of Human Services' activities and programs material to the State of Minnesota's Annual Financial Report or the Single Audit for the year ended June 30, 1998. The scope of that audit included a financial statement review of child support collections and disbursements, as well as a Single Audit review of certain reporting and expenditure reimbursements related to the Federal Title IV-D program, which provides funding to states and counties for child support enforcement. The scope of those reviews did not reveal any weaknesses related to our objectives.

Department of Human Services Internal Audit
April 2, 1999, Theft of Checks at the Child Support Payment Center, issued by the department's internal audit office, reported on a review of the Child Support Payment Center's receipting process as a result of stolen non-custodial parents' money orders. The report found that a contractor's employee stole several money orders and deposited them in a personal bank account. The contractor's insurance company is responsible for reimbursing the program for its losses.

The report made several recommendations for improving Child Support Payment Center policies and procedures. Significant issues included the use of employee background checks, monitoring employee activities through the use of camera surveillance and adequate lines of vision, and procedures for tracking incoming checks which require special attention. The department implemented the recommendations identified in the report, except that it still does not perform background checks on its employees. We discuss the lack of background checks in Finding 1 of this report.

Federal System Certification
May 26, 1998, PRISM Certification Review Report was issued by the Federal Department of Health and Human Services, Administration for Children and Families – Office of Child Support Enforcement. The office conducted a certification review of the PRISM system in March 1998. The review consisted of 53 specific objectives, in the areas of case initiation, location of parents, establishment of paternity, case management, enforcement, financial management, reporting, and security and privacy. The review team found that, generally, the PRISM system met the specific certification requirements and granted the State of Minnesota a conditional level II certification of the PRISM system. The team did, however, make certain findings and recommendations in its report. In the financial management area, the report stated that certain distributions of support collections do not comply with federal requirements for foster care cases and arrearage cases where non-custodial parents had multiple child support cases. The department has not resolved these issues, and they are discussed in Findings 2 and 5 of this report.

State of Minnesota Audit Follow-Up Process
The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up issues cited in financial audit reports issued by the Legislative Auditor. The process consists of an exchange of written correspondence that documents the status of audit findings. The follow-up process continues until Finance is satisfied that the issues have been resolved. It covers entities headed by gubernatorial appointees, including most state agencies, boards, commissions, and Minnesota state colleges and universities. It is not applied to audits of the University of Minnesota, any quasi-state organizations, such as Metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.

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Minnesota Department of **Human Services** —————————————————

September 24, 1999

James R. Nobles
Legislative Auditor
Centennial Office Building
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Nobles:

The enclosed material is the Department of Human Services response to the findings and recommendations included in the draft audit report of the Department's Child Support Enforcement Division financial related audit conducted by your office for the period October 1, 1997 through March 31, 1999. It is our understanding that our response will be published in the Office of the Legislative Auditor's final audit report.

The Department of Human Services policy is to follow-up on all audit findings to evaluate the progress being made to resolve them. Progress is monitored until full resolution has occurred. If you have any further questions, please contact David Ehrhardt, Interal Audit Director, at (651) 282-9996.

Sincerely,

Michael O'Keefe
Commissioner

Enclosure
cc: Jeanine Leifeld
      Mark Mathison

Department of Human Services
Child Support Enforcement Division
Financial Related Audit
For the Period October 1, 1997, through March 31, 1999

Audit Finding #1

The Department of Human Services does not conduct criminal background checks of potential child support employees.

Audit Recommendation #1-1

The department should conduct criminal background checks of potential employees having access to child support funds.

Department Response #1-1

The Department also shares the Legislative Auditor's concern about the lack of background checks for employees who process child support funds. Currently, the Department has a department-wide committee reviewing the issue of background checks. Along with studying the various types of background checks that could be implemented by the Department, they will be reviewing the Department's operating structure to determine areas within the Department that need background checks. The Child Support Enforcement Division (CSED) along with the other department divisions will be providing information to this committee. Additionally, CSED will present to the committee a copy of this finding and recommendation. The committee will report to the Department's Senior Management Team the various options that could be implemented at the Department.

Person Responsible: Shirley Sundquist, Human Resources Division

Estimated Completion Date: August 31, 2000

Audit Recommendation #1-2

The Department of Human Services should seek clarification as to whether periodic background checks are required in order to maintain valid insurance on its employees.

Department Response #1-2:

The Department agrees with the recommendation. The Department will contact the Risk Management Division of the Department of Administration and request verification as to whether periodic background checks are required to maintain valid employee dishonesty insurance.

Department of Human Services
Child Support Enforcement Division
Financial Related Audit
For the Period October 1, 1997, through March 31, 1999

Person Responsible: Gregory Poehling, Direct Services Manager, CSED

Estimated Completion Date: November 1, 1999

Audit Finding # 2

The Department of Human Services did not properly distribute funds for some non-custodial parents with multiple child support cases.

Audit Recommendation #2-1

The Department of Human Services should correct the PRISM system to properly allocate child support payments to multiple cases with past-due obligations.

Department Response #2-1:

The Department agrees with the recommendation and is working on the changes. As the audit recognizes, federal regulations do not specify how to distribute payments on past-due support when a noncustodial parent has more than one case. In all cases, money collected by the Department to pay child support has been used to pay debts owed by the noncustodial parents. The issue is whether the debts of the noncustodial parents are being paid off in an appropriate order.

The Department has been in contact with the federal government with regard to this issue and plans to make the necessary changes when other modifications are made to distribution. On May 18, 1999, the federal government approved the Department's plan and time line for making the necessary changes.

Person Responsible: Mary Arvesen, PRISM Manager, CSED

Estimated Completion Date: October 1, 2000

Audit Recommendation 2-2

The department should determine the overall extent of the actual misallocation and work with the federal Office of Child Support Enforcement to determine if any corrective actions are necessary.

Department Response #2-2:

The Department has contacted the Federal Regional Office in Chicago. The Regional Program Manager indicated that the federal agency will not be requiring additional action. The Department will not be taking additional corrective actions on distributions prior to the changes in recommendation #2-1.

Person Responsible: Mary Arvesen, PRISM Manager, CSED

Estimated Completion Date: Completed

Audit Finding #3

The Department of Human Services did not properly distribute funds to some custodial parents who had received public assistance.

Audit Recommendation #3-1

The Department of Human Services should correct the PRISM system to properly allocate child support payments between public and non-public assistance.

Department Response #3-1:

The Department agrees with the recommendation and will change the PRISM system to properly allocate child support payments in the situations identified in this recommendation. These changes are not complex. The work can be done independent of the changes required under PRWORA. Preliminary evaluation to determine the extent of the misallocation indicates that fewer than 1500 cases could have been impacted by this finding. Currently, as these misallocations are identified, adjustments are made by the department.

Person Responsible: Mary Arvesen, PRISM Manager, CSED

Estimated Completion Date: November 1, 1999

Audit Recommendation #3-2

The department should determine the overall extent of the misallocation and work with the federal Office of Child Support Enforcement to determine if any corrective actions are necessary.

Department Response #3-2:

The Department agrees with the recommendation. The Department will work with the federal office to determine if any additional corrective actions are necessary.

Person Responsible: Mary Arvesen, PRISM Manager, CSED

Estimated Completion Date: November 1, 1999. The final completion date will depend on the recommendation we receive from the federal government.

Audit Finding #4

The Department of Human Services did not properly identify and forward assigned child care support to the Department of Children, Families & Learning.

Audit Recommendation #4

The Department of Human Services should work with the Department of Children, Families & Learning to determine the financial implications caused by this error, and seek a legal interpretation from the Attorney General as to whether those funds need to be recovered and forwarded to the Department of Children, Families & Learning.

Department Response #4

The Department agrees with this recommendation and will seek an opinion from the Attorney General.

Person Responsible: LauraSue Schlatter, Policy and Planning Manager, CSED

Estimated Completion Date: We will submit our request for an opinion by December 1, 1999. The

projected time line for any further action on this recommendation will depend on the opinion of the AG.

Audit Finding #5

The Department did not keep the necessary records to determine when there is excess support on foster care cases.

Audit Recommendation #5

The department should work with the federal Office of Child Support Enforcement to satisfy the certification requirements concerning foster care.

Department Response #5:

The Department agrees with the recommendation. Statewide, there are approximately 6800 foster care child support cases. For Foster Care cases, the average child support payment received is $164.65 per month. The average cost per day for out-of-home care is $49.85 or $1495.50 for a 30 day placement. Thus, it is very rare that the child support payment received by the department exceeds the cost of care. The Department has been working with the federal government to determine a practical solution to this requirement. This has been an iterative process of developing potential solutions and getting feedback. In August 1999, a proposed solution was presented to the federal office. The proposed solution should meet the certification requirement and a detailed plan for implementation is being developed. Implementation of these changes should be done with the other PRWORA financial changes. Even though the number of cases potentially impacted are small, the level of effort to make this change is great and must be coordinated with the other financial changes.

Person Responsible: Mary M. Arvesen, PRISM Manager, CSED

Estimated Completion Date: October 1, 2000

Audit Finding #6

The Department of Human Services did not provide a means to prevent or detect conflicts of interest relating to child support cases.

Audit Recommendation #6-1

The Department of Human Services should identify PRISM system users who are recipients of child support or have child support obligations.

Department Response #6-1:

We agree with the recommendation. The Department will develop policy and procedures for identifying PRISM system users who are recipients of child support or have child support obligations. The policy and procedures will include child support PRISM users in the counties and at the state. Since certain personnel in other programs, e.g., MAXIS and welfare fraud, also have access to PRISM, they will be included in our analysis and solution. Our response to Recommendation 6-2 provides sufficient reason for us to request this information from employees. Therefore, we expect to implement Recommendations 6-1 and 6-2 at the same time.

Person Responsible: LauraSue Schlatter, Policy and Planning manager, CSED

Estimated Completion Date: October 1, 2000

Audit Recommendation #6-2

The department should restrict users from accessing or modifying child support cases in which they have an interest.

Department Response #6-2:

The Department agrees with the recommendation. We will conduct an extensive analysis to determine what options are available to restrict PRISM users. The need for security must be considered in a context that also provides for a functionally viable system that meets users' and child support business needs, is statewide in operation and meets all federal requirements. Although the desirability of restricting certain users from viewing certain cases, is fairly easy to articulate and understand, the technical solution may be very complex and potentially quite costly. At the present time we believe we

will be able to restrict users who are recipients of child support or have child support obligations. We will not know if we can limit access to users beyond that population until the analysis is completed. We believe the analysis, policy changes, design, programing, testing and implementation will take at least a year.

Person Responsible: Mary M. Arvesen, PRISM Manager, CSED

Estimated Completion Date: October 1, 2000

Audit Finding #7

The Department of Human Services did not adequately secure VIPRS programs and data.

Audit Recommendation #7

The department should pursue and implement network security which prevents unnecessary access to VIPRS program files and stored data.

Department Response #7:

The Department agrees with the recommendation. CSED will work with the VIPRS contractor to tighten security to VIPRS software and data files as much as possible through network security. We will also work with the contractor to determine if there are further changes that could be made within the VIPRS application. No changes would be made to the application prior to year 2000, and may be accomplished via the next software release.

Person Responsible: Gregory Poehling, Direct Services Manager, CSED
                              Sharon Radman, Information Services Manager, CSED

Estimated Completion Date: Network security rules, if applicable, will be updated by the end of October 1999. Exploration of potential application security changes will be completed in 1999. Eventual implementation will depend upon the analysis and also the timing of the vendor's next release of the software.

Department of Human Services
Child Support Enforcement Division
Financial Related Audit
For the Period October 1, 1997, through March 31, 1999

Audit Finding #8

The Department of Human Services did not adequately secure certain batch production jobs.

Audit Recommendation #8

The department should limit access to batch processing jobs to users who need it to perform their normal job duties.

Department Response #8:

The Department agrees with the recommendation. Only four TIER (formerly SDA) contractors have the access necessary to upload batches to PRISM. Although the ACF2 rule would appear to give the other contractors privileges to this function, they do not have the TSO rights that would allow them access.

We have now removed TSO privileges from the CSPC state staff who do not play essential roles for the Revenue Recapture program. Seven staff support this function.

We will also explore modifying the ACF2 rule to limit some of the data sets to specific users in order to further control access to these upload functions.

Person Responsible: Sharon Radman, Information Services Manager, CSED

Estimated Completion Date: Limiting TSO privileges for CSPC state staff occurred the week of September 13, 1999. ACF2 rules will be reviewed and, if appropriate, modified by the end of October 1999.