

# 97-21 An Evaluation of the Kids Information Data System, Department of Workforce Development

## Summary

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Wisconsin completed implementation of an automated child support enforcement system known as the Kids Information Data System (KIDS) in September 1996. The \$51.4 million system, supported by \$41.8 million in federal funds and \$9.6 million in state general purpose revenue, was developed under the direction of the former Department of Health and Social Services. Responsibility for KIDS was assumed by the Department of Workforce Development in November 1996. KIDS, which is used by staff in the State's 72 counties and supported centrally by the Department, is intended to assist Wisconsin's child support enforcement efforts to ensure that parents provide financial and medical support for their children.

Wisconsin first sought and received approval to develop an automated child support enforcement system in 1984, after the federal government encouraged states to develop such systems by providing 90 percent of funding for development costs. Subsequently, in the federal Family Support Act of 1988, Congress mandated states develop statewide automated systems by October 1, 1995. By 1991, although the Department had invested seven years and \$19.9 million in developing an automated child support enforcement system known as the Child Support Data System (CSDS), Wisconsin and federal officials concluded CSDS would not meet the Family Support Act's requirements. KIDS was subsequently developed and conditionally certified as meeting federal requirements in September 1997. Wisconsin was one of 17 states that met the revised federal deadline of October 1, 1997.

Although KIDS has been approved by the federal government, several concerns about the system's development, implementation, and operations have been raised by the Wisconsin Clerks of Circuit Court Association, county child support enforcement staff, and many of those paying and receiving child support. At the direction of the Joint Legislative Audit Committee, we completed a comprehensive review of the system's acquisition, development, and implementation; problems that have been encountered since the system's implementation; the effects the system has had on Wisconsin's child support program; and ongoing system enhancement efforts.

The development and implementation of KIDS was influenced by several factors, including:

- decentralization—although the Department has overall responsibility for the State's child support program, responsibility for day-to-day child support activities belongs to Wisconsin's 72 counties, of which all but 11 further divide responsibilities between two different entities: the Office of the Clerk of Court and a child support agency;
- differences among the various county systems KIDS was designed to replace, with 24 counties using a combination of CSDS and other automated systems, 21 using manual systems, 18 using their own unique automated systems, and 9 using only CSDS; and
- the need to meet established federal regulations and deadlines or face the possibility of being required to reimburse approximately \$9.1 million, or 21.8 percent, of system development costs funded by the federal government and having all federal funding for the State's child support program and other assistance programs withheld. In fiscal year (FY) 1996-97, Wisconsin received federal funding of \$55.5 million for the child support program and \$211 million for public assistance programs, including Aid to Families with Dependent Children.

During the system's initial development stages, the Department sought to take into account these factors and address county needs while ensuring federal requirements were met. For example, the Department sought and received county assistance in determining the criteria to be included in the project's request for proposals (RFP). Counties also

participated in a 26-person team that evaluated four vendors' responses to the RFP. However, underlying the entire selection process was the need to meet a federal requirement that an existing automated child support enforcement system be transferred from another state.

The requirement that states transfer child support systems currently in use by other states was difficult to fulfill, because at the time of the mandate there were only eight federally certified child support systems in existence, and they were certified to 1984 standards. Although the vendor selected to develop KIDS had proposed transferring Utah's automated child support enforcement system to Wisconsin, problems with that system became apparent after the contract was signed. Given that the federal deadline for system certification was only 23 months away, the Department and the vendor made the decision to transfer Virginia's, rather than Utah's, system.

Virginia's system required substantial modification in order to ensure it fulfilled Wisconsin's needs. During the modification process, it became evident that it would not be possible to make all the modifications necessary to meet the needs both of the counties and of federal certification requirements during the time available. As early as November 1993, the Department concluded that it would be necessary to reduce the number of system functions in order to meet the federal deadline. When faced with competing demands, the Department typically decided to eliminate, modify, or delay until after implementation many of the system functions considered important by county staff. The Department's emphasis on ensuring federal certification was reflected in its oversight of the contractor, and that the system ultimately received federal approval.

In reviewing the system's implementation, it is apparent that it could have been better managed by the Department as well as the counties. For example:

- Although KIDS resulted in major changes to how county child support enforcement staff perform daily tasks, there was limited pilot testing to evaluate whether KIDS performance met county user needs prior to implementation. The decision not to complete a comprehensive pilot test was made in order to ensure the revised federal certification deadline of October 1, 1997 was met.
- Conversion of the data needed for KIDS to function was not completely effective. For example, some counties were not successful in their efforts to ensure that the information provided for conversion was accurate and up-to-date.
- County staff were not fully prepared to use the system to fulfill their day-to-day responsibilities because of problems with the State-provided training. For example, training programs were developed before system design was complete, training was provided too far in advance of implementation, and an insufficient number of qualified trainers was available for on-site training during implementation.

Despite concerns about the system's implementation, each of the 72 counties has been using it since September 1996. Most county staff with whom we spoke believe that with some changes and improvements, KIDS could be a very effective system. However, because county needs were given a lower priority than achieving federal certification, the full benefits of an automated system are not being realized. Some significant problems must be addressed before KIDS is able to fulfill expectations.

First, although KIDS was expected to automate the process of receipting and disbursing child support payments, KIDS is not capable of automatically making adjustments for all of the variables present in Wisconsin child support cases. For example, we found that because of the way KIDS currently operates, the accounts of some child support payers have outstanding balances and these parents are inappropriately being assessed interest charges despite consistently meeting their obligations through income withholding. As many as 58.4 percent of Wisconsin's approximately 206,000 child support cases may be subject to this problem. While some county staff have solved the problem on a case-by-case basis, others invest a significant amount of time answering the questions of parents who are meeting their child support obligations and are confused and angered by the interest charges they have been assessed.

In addition, although KIDS was designed to disburse child support and other payments automatically following established federal and state requirements, we found that when court orders express child support payments as a percentage of gross income, which occurs in 35.9 percent of the State's 206,000 child support orders, KIDS

inappropriately disburses some payments. Wisconsin is the only state in which child support can be expressed as a percentage of gross income instead of or in addition to a fixed dollar amount. To calculate the amount due when child support is expressed as a percentage of gross income, KIDS requires information about gross income. Often, however, this information is not available. To avoid problems, most counties manually disburse payments, which is labor intensive. Some counties let KIDS automatically disburse payments, which results in some parents receiving less child support than appropriate or receiving payment later than expected.

Second, although KIDS is essential to the counties' day-to-day child support operations, KIDS is periodically unavailable to county staff. When this occurs, staff cannot access case information and thus are unable to provide adequate customer service to parents and the courts. In addition, information cannot be entered into the system, and other daily tasks, such as preparing court documents, receipting payments, and printing and mailing child support checks, cannot be performed. Scheduled downtime occurs because of month-end processing, while unscheduled downtime results primarily from problems with the data network used to support KIDS.

Third, rather than increasing efficiency, some of the interface functions of KIDS have created additional work for county staff. Interfaces serve two primary purposes: referring new cases to KIDS, and providing location information about parents who should be paying child support. However:

- the public assistance case referral interface often creates duplicate cases in KIDS that cannot be deleted but can only be closed manually;
- the foster care case referral interface neither refers all of the cases it should nor provides all of the information needed to initiate a case in KIDS; and
- the locate interfaces sometimes draw old information from other systems, which may result in unnecessary actions such as the production of employment verification letters to a past employer.

Given the continuing problems with KIDS, questions have been raised about the system's effectiveness. While some management information is available, the amount and quality of financial and program information on the child support program is inadequate, which limited our ability to determine KIDS effect on child support collections and costs, as well as state and county staff efficiency and effectiveness. We include a recommendation to the Department to develop and improve management information reports.

The Department has publicly reported that in federal fiscal year (FFY) 1996-97, which was the system's first full year of operation, KIDS increased child support collections by an estimated \$100 million over FFY 1995-96 levels. However, the Department's estimate includes collections from all cases, including those for which the counties do not provide enforcement services. Before KIDS was implemented, the Department's reports included only cases for which the counties had provided enforcement services, including public assistance cases, former public assistance cases, and cases for which a small fee has been paid to receive services. Therefore, the Department had to estimate base year data for FFY 1995-96, which we believe raises significant questions about the reliability of the comparison.

The only reliable information regarding collections over time is for those cases for which the counties provided enforcement services. In such cases, we found that FFY 1996-97 child support payments increased by \$19.3 million, to \$459.6 million. However, the rate of increase—4.4 percent—was substantially less than the annual rate of increase in each of the four years before the system's implementation.

In addition, KIDS has not substantially reduced the rate of increase in county child support administrative costs. By slowing the rate of the increase in county administrative costs, the Department expected the implementation of KIDS to generate significant savings. However, the rate of increase in county child support administrative costs is higher in both FFY 1995-96 and FFY 1996-97, the two years since implementation of KIDS began, than in all but one of the four previous years.

Three factors, all of which have financial implications, will have an effect on the system's future. The system will:

- need to remain an integral part of the State's child support program, despite concerns about its development,

implementation, and operation;

- need to be modified as a result of requirements included in recent federal and state welfare reform legislation; and
- not be as efficient and effective as possible until the ongoing system problems affecting county staff are addressed.

1997 Wisconsin Act 27, the 1997-99 biennial budget, includes state and federal funding to address two of these three factors—\$53.5 million for operating costs, and \$9.8 million for system enhancements—but it does not include funding intended specifically for addressing existing system problems. Of the state funding appropriated in Act 27, approximately \$5.6 million, or one-half of the amount appropriated in FY 1997-98, and \$11.1 million, or all of the amount appropriated in FY 1998-99, was put into a reserve account under the control of the Joint Committee on Finance. The Department requested, on November 20, 1997, that \$5.2 million of state funding for KIDS be transferred from the Joint Committee on Finance's appropriation to the Department's. With the associated federal matching funds, the amount requested would provide the resources needed to operate KIDS and make necessary system enhancements through the end of FY 1997-98.

The total amount the Department has requested for operations—\$25 million—is \$1.7 million less than initially appropriated for FY 1997-98. Although the amount requested is equal to almost one-half of the amount expended to develop the system, additional funding appears to be necessary in order to ensure the system continues to operate. However, there are some opportunities to reduce operating costs, particularly in the area of data processing. For example, processing needs, and therefore costs, could be reduced by making computer programming changes to improve how KIDS handles month-end and other processing tasks. We include a recommendation to the Department designed to reduce system costs, which includes a requirement that the Department report to the Joint Committee on Finance regarding its progress in this area when it requests the release of operating funds for FY 1998-99.

In addition to continuing operating expenditures, costs will also be incurred to implement recent changes in federal and state welfare legislation. The total amount the Department has requested—\$7.7 million—is \$2.5 million more than initially budgeted for FY 1997-98. Although it is clear that funding is necessary to ensure full compliance with state and federal legislation, particularly the requirements of the 1996 federal Personal Responsibility and Work Opportunity Reconciliation Act, we did not attempt to determine the appropriateness of the amount of spending proposed. Furthermore, based on the Department's experience to date, it is likely that additional revisions to the budget for completing the modifications will be necessary. Therefore, we include a recommendation that the Department's request to the Joint Committee on Finance for the release of system enhancement funds for FY 1998-99 include a report addressing progress toward changing the system; any unexpected problems encountered in making system enhancements, including the steps taken to resolve the problems; and plans for implementing centralized receipt and disbursement, one of the most significant changes required under federal law.

Although significant enhancements to KIDS have been and will continue to be made to conform with federal and state requirements imposed after the system was developed, problems with the system's essential operations also need to be addressed. The ongoing concerns noted in our report are some of the most critical included in a list of over 200 problems identified by county staff working in cooperation with the Department. Not all of these are significant, but many, including the problems noted in our report, need to be addressed in order to ensure KIDS is working as efficiently and effectively as possible. However, little progress has been made to address many of the system's ongoing operational problems. In addition, the Department has not requested specific funding for county needs because it believes that over time, system changes addressing county concerns can be made as part of normal maintenance.

We identified a source of funding that could be used to address county needs. Because of a retroactive condition included in federal welfare legislation, the Department will receive \$1.25 million or more from the federal government as reimbursement for a portion of development costs that were already funded with general purpose revenue. These funds would typically be deposited in an excess federal funds account and eventually lapse to the State's General Fund. However, the Legislature could authorize the use of these funds for system changes benefiting county users. In addition, because 66 percent of the cost of any expenditures made for child support are eligible for federal funding, authorizing the use of the \$1.25 million would generate an additional \$2.45 million of federal matching funds,

providing a total of \$3.7 million to address county needs.

In order to address the outstanding problems associated with KIDS in a timely manner, particularly those that currently require a significant amount of manual intervention by county staff, we include a recommendation that the Joint Committee on Finance authorize the Department to use any excess federal matching funds it receives for the initial development of the system to correct existing problems that affect county staff. We also include a recommendation that the Department submit a detailed plan, including completion dates, for addressing ongoing problems to the Joint Legislative Audit Committee by March 31, 1998, and report quarterly on the progress it has made in addressing system problems to the Joint Legislative Audit Committee beginning in June 1998.

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