

Purpose and Intent of this Guide

NCCSD PROVIDES SUPPORT TO STATE DIRECTORS OF THE CHILD SUPPORT PROGRAM IN ALL STATES AND TERRITORIES. THE ORGANIZATION BELIEVES DIRECTORS SHOULD BE ADEQUATELY INFORMED ABOUT THE DATA RELIABILITY AUDIT, AND THAT DIRECTORS SUPPORT A PROCESS THAT IS WELL UNDERSTOOD AND TRANSPARENT, WITH EFFECTIVE COMMUNICATION AND ACCOUNTABILITY ON PART OF BOTH THE STATE AND OCSE.

THIS GUIDE WAS PREPARED BY NCCSD AS A HELPFUL INFORMATIONAL TOOL FOR ALL STATE DIRECTORS REGARDING THE COMPLEX PROCESS AND VARIOUS ROLES AND RESPONSIBILITIES OF THE DATA RELIABILITY AUDIT (OR REVIEW).

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Federal Data Reliability Audits— A Map

THIS SECTION IS INTENDED TO PROVIDE THE AUDIT PROCESS WORKFLOW IN SOME DETAIL FROM ANNUAL DATA REQUIREMENTS RELEASE, VALIDATING AUDIT TRAILS TO EXIT CONFERENCE

The OCSE audit process consists of four phases:

- I. Audit Planning
- II. Audit Engagement
- III. Audit Fieldwork
- IV. Audit Reporting

Phase I. Audit Planning:

Prior to the beginning of the Data Reliability Audit activities for the current year, OCSE assigns each state either a Data Reliability Audit (DRA) or a Data Reliability Review (DRR) as required per Dear Colleague Letter [\(DCL\) 04-02](#). The OCSE auditors are assigned states to review.

In preparation for every DRA and DRR, the OCSE auditors are required to review the following per OCSE:

- Prior policy, state laws and instruction interpretations unique to each state,
- System changes, and
- Anything that may have been brought to Office of Audit's (OOA) attention by the OCSE Division of Federal Systems (DFS), OCSE Division of Policy and Training (DPT), OCSE Division of Regional Operations (DRO) and OCSE Division of State and Tribal Systems (DSTS) for conducting a DRA or DRR.

The OOA issues the DCL - Data Reliability Audit Requirements FY 20XX, (<https://www.acf.hhs.gov/css/policy-guidance/data-reliability-audit-requirements-fy-2020>) which includes the timeframe for submission of the universe and audit trails to the OCSE Child Support Portal. The DCL includes the following:

- Required Data Submission specifications for the current year
- The available upload date and the due date for submission (usually around January 31st for the previous FFY)
- Specifications about the auditors' access to state systems

During this phase, Auditors are required to sign independence certifications forms to ensure auditors do not have any personal or external impairments, including business or personal relationships with the organizations and staff to be audited, which would affect auditor's views or cause others to question auditor's objectivity and independence to perform an impartial audit.

To prepare for the start of the DRA, states should identify state-specific information that would potentially be impactful for the DRA and communicate this information to OCSE by... Examples of this information would be new state laws and/or regulations, what else?

Phase II. Audit Engagement:

During the audit engagement phase, the state is notified in writing that a DRA or DRR is required for the fiscal year being audited (see attached DRA Engagement Letter). The auditor

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What are the examples we would want to include here?

This may also be more appropriately put under Phase II.

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then sends an email to the state umbrella head and IV-D director to schedule an Entrance Conference meeting. The auditor holds a meeting with the IV-D director and staff to discuss the audit objective and scope of the audit. OCSE Division of Regional Operations (DRO) staff is invited to participate in this meeting. In addition, the audit staff works closely with the states and federal/state IT staff to gain access, if necessary, to the state's automated child support enforcement system and signing any confidentiality forms in order to conduct the sampling portion if a DRA is conducted.

Phase III. Audit Fieldwork:

The main difference between a DRA and a DRR is that the Office of Audit selects sample cases to test the data on the OCSE-157 for Lines 1, 2, 5, 6 or 8, 9, 24, 25, 28, and 29 based on a statistically valid sample in the DRA. The DRR is substantially less in scope than a full DRA and acknowledges states for having demonstrated the ability to produce reliable data and good performance. Audit fieldwork may be conducted onsite or remotely from the audit office for a DRA or DRR.

The auditor will download the universe and audit trails from the OCSE Child Support Portal to validate and select the samples. Audit trails and the states universe are tested to ensure that they meet all requirements including whether they are free of material misstatements resulting from problems that affect the consistency and the logical relationship among related lines. Validation includes several audit processes, which includes:

- A review of the state's OCSE-157 data to identify trends in the reported data;
- Using Microsoft Access and data extracts (universe and audit trails) provided by states, auditors use a consistent process to run queries of the universe and all OCSE-157 lines to provide a preliminary analysis of the reliability of the performance indicator data produced and subsequently reported to OCSE by State IV-D agencies. Although some of the discrepancies may not have a material impact on the audit for that fiscal year, it is shared with the states to ensure full disclosure and provide them with advance knowledge of the reported data. States may be expected to answer questions and/or provide clarification or explanation for the discrepancies;
- If a DRA, a statistically valid sample is performed. The auditors will identify the data elements used by the State IV-D computer system to compile the basic data necessary to produce the performance indicators reported to OCSE;
- The sample selected will be used to evaluate the data reported to OCSE to calculate 4 of the 5 Performance Indicators (PI). The indicators and the lines on the OCSE-157 that will be evaluated are as follows: Paternity Establishment Performance Level (5 & 6, or 8 & 9), Support Order Performance Level (1 & 2), Current Collections Performance Level (24 & 25), Arrears Collections Performance Level (28 & 29);
 - The number of open cases sampled will vary based on the percentage relationship of the total child support universe of cases to the cases open at the end of the reporting period;
 - The sample size will be computed by determining the percentage relationship that exists between the total child support universe and the cases open at the end of the audit period. Multiply the minimum sample size of approximately 150 by the percentage relationship cited in the preceding sentence to arrive at the audit sample size, i.e., (universe equals 150,000, cases open at the end of the audit period = 100,000 then the relationship percentage is 150 percent. Sample = 150 x 1.5 or 225);

- For states that use the Statewide PEP option, separate samples of 50 children will be selected from the audit trails for line 8 and line 9, respectively.
- Data reported on the OCSE-157 are traced and reconciled to the OCSE-157 performance indicator lines audit trails.

The auditors define each of the data elements involved in the calculation of the performance indicators and then compare data defined with the federal requirements. System data definition provides the auditor with the knowledge regarding the data elements involved in the reporting process. This comes by reviewing the system documentation (specifications).

Sample cases are reviewed during a DRA. The auditor must review, analyze, and document each case based on the facts of the case in accordance with the federal reporting instructions. The auditors will verify whether the sample children selected were properly reported on the OCSE-157. States will be expected to answer questions, provide additional documentation and/or provide clarifications on the cases that are being reviewed.

The five performance indicators audited and used to calculate incentive payments are:

- Paternity Establishment Performance Level
- Support Order Establishment Performance Level
- Current Collections Performance Level
- Arrears Collections Performance Level
- Cost-Effectiveness Performance Level

The OOA reviews the state automated child support system and evidence for the first four performance indicator levels above to determine whether a case or a child should have been reported. For the Cost-Effectiveness performance indicator, we ensure that the performance indicator line items are verified to supporting evidence.

The OOA also reviews the adequacy of the physical security, access controls, and supporting documentation received from the state to ensure the reliability and security of the systems processing the data used to calculate the performance indicators.

During the fieldwork phase, the auditor will provide each state with a clear and concise summary of their audit results based on Federal reporting requirements and existing policy guidance. The auditor will also provide a clear understanding of the conclusions for any sample case. These results are articulated throughout the entire audit process as it becomes available to the auditors. Any findings presented to the state are labeled as "potential" to allow states to provide additional documentation for consideration until the final report issuance. During the audit process, if the state requires clarifications of policies or instructions the state is referred to DRO and DFS staff in order to provide technical assistance. OCSE is to provide technical assistance or other services, as applicable, per a state's request or as needed.

There are two kinds of findings – audit findings and management findings. Management findings align with recommended actions that are provided to the states that (1) did not result with a state failing the performance indicator lines or an efficiency rate that is below 95 percent or (2) where data sampling was not completed because the audit was a Data Reliability Review or (3) disclosure of weaknesses with physical security and internal controls. These deficiencies are presented to the state to provide them with an opportunity for correction in order to avoid any adverse impact(s) on their reporting results in the future.

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At the conclusion of the audit process, an Exit Conference with the state is held. DRO management and non-management staff are invited to participate in the exit conference. The state is briefed along with DRO and provided with a full list of errors and results of the audit. Additional technical assistance is available to the state from the DRO once the actual results of the audit are presented. The state can ask additional questions and provide any additional information for the auditor to review that may have an impact on the potential findings. At this stage of the audit and until the issuance of the final report, states still have an opportunity to provide additional competent, reliable and sufficient evidence in support of any findings.

The auditor will request a management representation letter from the state that asserts the following (see attached example):

- Performance indicator data was prepared in accordance with instructions issued by OCSE;
- Management made available and disclosed all relevant documentation;
- There were no known omissions, deficiencies, or errors affecting the performance data submitted, or the occurrence of any material events subsequent to submission that would require disclosure;
- The state must confirm that they have made all records and supporting documentation available and have not knowingly withheld information or data relevant to the audit purpose.

Phase IV. Audit Reporting:

During the audit reporting phase, the OCSE auditors ensure the draft and final report are supported by sufficient, appropriate evidence with key facts, figures, and findings being traceable to the audit evidence and in compliance with federal reporting requirements.

The independent audit office assigned to review the report will verify that all working papers, or series of working papers, supporting statements, and memorandums to management have been completed, signed and dated, and reviewed by the senior auditor. In addition, a secondary independent review will ensure all error cases are properly documented with the condition, cause, effect, conclusion and federal reporting and policy existing guidance.

OCSE management audit staff receives the draft/final report after the independent review for submission to the state. If a draft report is required to be issued, the state has the opportunity to review and respond to the draft report, typically within 2 weeks. A state can request an extension for their response submission. Any response will be included in the final report to the state. The reports are disseminated to the IV-D state grantees, the OCSE Commissioner, OCSE Deputy Commissioner, and internal OCSE Division staff (see attached sample report).

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Commented [CMA(9): I believe that the DRA stops with the final report meaning there is no other "dispute resolution" that a state can take advantage of. Is that right?

Auditors' Practices

THIS SECTION IS INTENDED TO PROVIDE SOME UNDERSTANDING TO WHAT AUDITORS USE FOR GUIDANCE, HOW ERROR FINDINGS ARE DETERMINED, WHAT AUDITORS USE FOR INFORMATION AND EVIDENCE, AND AUDIT STANDARDS. **NOTE: THE PRACTICES DESCRIBED BELOW ARE BASED ON INFORMATION PROVIDED BY OCSE.**

The OOA uses federal reporting requirements, existing policy guidance, and GAO standards in conducting the Data Reliability Audits.

Federal Reporting Requirements and Existing Policy Guidance

Internal OCSE Divisions create, establish, and provide technical guidance of the federal reporting requirements and existing policy guidance. The OOA adheres to the federal policy and reporting instructions as defined by these OCSE internal Divisions. The OCSE-157 is developed to capture activities conducted by states operating a child support enforcement program to ensure that they are in compliance with title IV, part D of the Social Security Act, Child Support Performance and Incentive Act of 1988 (CSPIA), and the federal regulations that govern the program. The OCSE-157 federal reporting instructions are not written to be all-inclusive. They are written to capture a snap-shot of all required activities governed by laws for states operating a child support enforcement program. In addition, there is existing policy guidance that clarifies additional reporting requirements.

Government Accounting Office Standards

In accordance with Government Auditing Standards, auditors must test the evidence provided by the auditee as it pertains to sufficiency, competency and relevancy. The evidence must be sufficient. The evidence is sufficient, if enough evidence exists to persuade a knowledgeable person of the validity of the findings. These standards also address competency. In terms of competency, the evidence must be valid, reliable and consistent with fact. In assessing competence, the auditors must consider such factors as whether the evidence is accurate, authoritative and authentic. The standards also address relevancy. This means that the evidence must have a logical relationship with an importance to the issue being addressed.

Audit Practices

The Data Reliability Audits are conducted using evidence and a review of activities performed in the state's system (manual or automated). The audit process entails a detailed analysis and review to obtain a reasonable assurance that the system used by the state's IV-D program to compile and report performance measurement data is reliable and the data generated by that system is accurate and complete. This also incorporates an analysis and review for compliance with all federal reporting instructions, regulations, and existing policy guidance.

The OOA must consider all evidence as a whole and apply that to the objective for the specific reporting line that is measured. The audit process does not concentrate on one piece of evidence to determine whether a case should or should not be reported on any given performance indicator line. Instead, the audit process requires a review of multiple pieces of evidence that support compliance with federal reporting instructions and existing policy guidance. GAO standards are utilized by auditors to perform and document an overall assessment of the collective evidence used to support findings and conclusions, including the results of any specific assessments performed to conclude on the validity and reliability of specific evidence. When assessing the overall sufficiency and appropriateness of evidence,

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Commented [CMA(12)]: It would be helpful to include more details about how an error is determined and what information and/or evidence is included or excluded when provided by the state. We've asked OCSE for more information but hadn't gotten anything back yet. If we get anything else, we can include it here.

auditors evaluate the expected significance of evidence to the audit objectives, findings, and conclusions; available corroborating evidence; and the level of audit risk. If auditors conclude that evidence is not sufficient or appropriate, they will not use such evidence as support for findings and conclusions. Having a large volume of evidence does not compensate for a lack of relevance, validity, or reliability. The evidence must be consistent with fact in support of the objective or federal reporting requirements and existing policy guidance for the specific line being measured and reported.

When evaluating and reviewing the states data for reporting, discretion is not applied during the audit process. In instances where the federal reporting requirements are ambiguous, the OOA immediately seeks clarification from OCSE Internal Divisions and if the OOA is informed that the regulations are ambiguous, those cases reported by the auditee do not result in error findings.

The audit process has been designed to recognize and implement flexibilities to consider that states will have different automated systems with unique parameters, unique state laws and will utilize and interact with a variety of third party vendors to establish and document paternity acknowledgments, born out of wedlock, support orders, etc. The audit process has also been designed to recognize and implement flexibilities where an interstate case is in the sample. The audit process accepts complete Transmittal 1 forms as sufficient evidence if no conflicting documentation is viewed. For those instances where the Transmittal 1 form is incomplete, states are afforded opportunities during the audit process to contact other states to obtain competent, reliable and sufficient documentation in support of data reported.

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Commented [CMA(14)]: We need clarification from OCSE – is there an ability to correct after the fact? Additional documentation must exist but can’t be created? Is interstate an exception here?

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Roles

THIS SECTION DESCRIBES ROLES OF VARIOUS FEDERAL POSITIONS IN THE FEDERAL AUDIT OR REVIEW OF DATA RELIABILITY. ITS PURPOSE IS TO PROVIDE POINTS OF CONTACT FOR ON-THE-SPOT GUIDANCE AND POST-REPORT GUIDANCE TO HELP UNDERSTAND AN AUDITORS' PERSPECTIVE THAT WOULD ASSIST STATES TO DEVELOP EFFECTIVE CORRECTIVE ACTION.

OOA staff collaborate closely with the internal OCSE Divisions that create, establish, and provide technical assistance of the federal reporting requirements and existing policy guidance. Below is a high-level overview of the roles and responsibilities of the internal OCSE Divisions.

Office of Audit:

Director: Mona L Ferrell – Mona.Ferrell@acf.hhs.gov

Primary services:

- Perform Data Reliability Audits and review for all 54 states and territories annually to ensure that states receive their fair share of incentive dollars.
- Conduct limited cost audits and special reviews to determine whether federal and other funds made available to carry out the child support program are being appropriately expended, and properly and fully accounted.
 - Assist states to improve program performance.
- Perform other audits as deemed necessary by the HHS Secretary or designee.

Division of Regional Operations (DRO):

Director: Melissa Johnson – Melissa.Johnson@acf.hhs.gov

Primary services:

- Provide technical assistance to 54 states/territories, and tribal child support programs.
- Conduct site visits and training.
- Review state/territory/tribal program plans.
- Conduct outreach with community-based organizations.
- Collaborate on initiatives across other human services programs.

Division of Policy and Training (DPT):

Director: Yvette Riddick – Yvette.Riddick@acf.hhs.gov

Primary services:

- Propose and implement national policy, and provide policy guidance and interpretations.
- Provide national direction and leadership regarding child support program training.
- Facilitate conference coordination as the point of contact for national and state child support organizations (NCSEA, NTCSA, NCCSD, ERICSA, and WICSEC).
- Oversee US Central Authority activities.

Division of Federal Systems (DFS):

Director: Veronica Ragland – Veronica.Ragland@acf.hhs.gov

Primary services:

- Manage and operate the Federal Parent Locator Service.
- Provide guidance, analysis, technical assistance, and oversight to state and tribal child support programs regarding performance measurement; statistical, policy and program analysis; synthesis and dissemination of data sets to inform the program; and application of emerging technologies, such as business intelligence and data analytics to improve and enhance the effectiveness of programs and service delivery.
- Responsible for collection, compilation, analysis, and dissemination of state and tribal data to Congress and the public.
- Responsible for promoting public access and understanding of data, managing academic and research projects, and providing support for researchers.

Division of State and Tribal Systems (DSTS)

Director: Raghavan Varadachari – Raghavan.Varadachari@acf.hhs.gov

Primary services:

- Review, analyze, and approves/disapproves State and Tribal requests for Federal Financial Participation for automated systems development and operations activities.
- Provide assistance to state and tribal programs in developing or modifying automation plans to conform to federal requirements.
- Monitor approved state and tribal systems development activities; certify statewide and tribal automated systems; conduct periodic reviews to assure compliance with regulatory requirements applicable to state and tribal automated systems supported by Federal Financial Participation.
- Provide guidance on functional requirements for automated information systems

Strategy and best practices for directors

THIS SECTION IS INTENDED TO PROVIDE DIRECTORS WITH SUGGESTED STRATEGIES AND BEST PRACTICES FOR WORKING WITH OCSE AND FEDERAL AUDITORS DURING THE DATA RELIABILITY AUDIT OR REVIEW. COMMON LESSONS LEARNED ARE CAPTURED HERE BASED ON STATES' EXPERIENCES WITH EXAMPLES.

How to Prepare

Communication

Timeframes

Technical Assistance and When to Ask for it

The OOA cannot audit a state and turn around to provide technical assistance. This is one of the key reasons why when we cite any policy or regulatory requirements and if the state disagrees with our findings, we refer them to DRO and DFS staff to obtain the necessary guidance and technical assistance. This is embedded into the audit process. Communication is a critical component of the audit and applied to all phases of the audit process. OOA agrees that states should partner with OOA and with their OCSE Technical Assistance partners at the federal level (i.e. DRO, DFS and DPT) which is why this is a critical component of the audit process.

Training and Workshops – OCSE AND NCCSD

THE FOLLOWING HAVE BEEN CREATED FOR DIRECTORS REGARDING FEDERAL AUDITS WITH FOCUS ON THE ABOVE AND HOW TO PREPARE.

Commented [CMA(15): We can also add “Other Useful Information” – not sure what that is yet but we can discuss.